

OLYMPIA, WASHINGTON

July 22, 2003

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer
Gary Locke, Governor

Also Present: Allan J. Martin, Office of the State Treasurer
Tom Morrill, Office of the Attorney General
Rob Shelley, Seattle-Northwest Securities
Jim Bemis, Montague DeRose and Associates
Nancy Adams, Office of the State Treasurer
Dean Torkelson, Seattle-Northwest Securities
Kristi Wolgamot, Office of the State Treasurer
William Tonkin, Foster Pepper & Shefelman
Svein Braseth, Office of the State Treasurer
Vicki Cox, Office of the State Treasurer
Chia Yang, Montague DeRose & Associates
Shad Pruitt, Office of the State Treasurer
Bill Starkey, Seattle-Northwest Securities
Suzanne Coit, Office of the State Treasurer
Susan Musselman, Susan D. Musselman, Inc.
Susan C. Melvin, Office of the State Treasurer
Mike Roberts, Office of Financial Management
Amy Arnis, Department of Transportation
Jeff Caldwell, Department of Transportation
Jennifer Lannoye, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Governor Locke moved the minutes for the May 13, 2003 meeting be approved. Treasurer Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin said Resolution No. 980 accepts the bids for the purchase of State of Washington Various Purpose General Obligation Bonds, Series 2004A in the aggregate principal amount of \$271,400,000; fixing the interest rates; authorized by Ch. 14, Laws of 1989, 1st Ex. Sess., Ch. 15, Laws of 1990, 1st Ex. Sess., and Ch. 9, Laws of 2001, 2nd Sp. Sess. Mr. Martin said four bids were received and accepted electronically through Parity at 7:30 a.m. Pacific Time. Lehman Brothers submitted a true interest cost (TIC) of 4.6500950%; Merrill Lynch & Co. submitted a TIC of 4.6661393%; Bear, Stearns & Co., Inc. submitted a TIC of 4.7045623%; and Salomon Smith Barney, Inc. submitted a TIC of 4.7205857%, with the apparent low bidder being Lehman Brothers.

Mr. Martin presented proposed Resolution 980 to the committee.

Resolution 980 awards the sale of up to \$271,400,000 State of Washington Various Purpose General Obligation Bonds, Series 2004A, authorized by Ch. 14, Laws of 1989, 1st Ex. Sess., Ch. 15, Laws of 1990, 1st Ex. Sess., and Ch. 9, Laws of 2001, 2nd Sp. Sess.

Governor Locke moved to adopt Resolution 980. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Martin said Resolution No. 981 accepts a bid for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004B in the aggregate principal amount of \$200,000,000; fixing the interest rates; authorized by Ch. 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), Ch. 431, Laws of 1993 (RCW 47.10.812), Ch. 440, Laws of 1993, as amended (RCW 47.26.500), and Ch. 147, Laws of 2003. Mr. Martin said four bids were received and accepted electronically through Parity at 7:30 a.m. Pacific Time. Lehman Brothers submitted a TIC of 4.6466090%; Merrill Lynch & Co. submitted a TIC of 4.6554590%; Salomon Smith Barney, Inc. submitted a TIC of 4.6649030%; and Bear, Stearns & Co. submitted a TIC of 4.7425544%, with the apparent low bidder being Lehman Brothers.

Mr. Martin presented proposed Resolution 981 to the committee.

Resolution 981 awards the sale of up to \$200,000,000 State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004B, authorized by Ch. 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), Ch. 431, Laws of 1993 (RCW 47.10.812), Ch. 440, Laws of 1993, as amended (RCW 47.26.500), and Ch. 147, Laws of 2003.

Governor Locke moved to adopt Resolution 981. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Martin said Resolution No. 982 accepts a bid for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004C in the aggregate principal amount of \$110,001,631.95, in accordance with Resolution No. 977, authorized by Ch. 321, Laws of 1998 (Referendum 49) (RCW 47.10.843). Mr. Martin said three bids were received and accepted electronically through Parity at 8:30 a.m. Pacific Time. Lehman Brothers submitted a TIC of 5.3788822%; Salomon Smith Barney, Inc. submitted a TIC of 5.4808062%; and Merrill Lynch & Co. submitted a TIC of 5.5537386%, with the apparent low bidder being Lehman Brothers.

Mr. Martin presented proposed Resolution 982 to the committee.

Resolution 982 awards the sale of \$110,001,631.95, State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004C, authorized by Ch. 321, Laws of 1998 (Referendum 49) (RCW 47.10.843).

Governor Locke moved to adopt Resolution 982. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Martin said Resolution No. 983 provides for the issuance and sale of \$20,000,000 State of Washington General Obligation Bonds (State Housing Trust Fund), Series 2004T (Taxable), authorized by Chapter 9, Laws of 2001, 2nd Sp. Sess., Chapter 3, Laws of 2003 1st Sp. Sess., and Chapter 39.42 RCW, for the purpose of providing funds to pay the state for housing assistance, weatherization and affordable housing project expenditures; fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds. The Housing Trust Fund with the Washington State Office of Community Development (OCD) helps provide safe and affordable housing in communities throughout the state. The Housing Trust Fund supports the construction or rehabilitation of more than 3,000 housing units each biennium.

Mr. Martin said these programs, known collectively as the Housing Trust Fund (HTF), provide low-interest loans and grants from bond proceeds to private non-profit entities, which may include charitable 501(C) (3) organizations. The sale of taxable bonds is proposed to help assure compliance with applicable federal tax laws by providing a source of funds (other than proceeds of tax-exempt bonds) for expected or potential expenditures to make HTF loans to nongovernmental persons or to provide facilities that otherwise would not qualify for tax-exempt financing.

Mr. Martin presented proposed Resolution 983 to the committee.

Resolution 983 authorizes the issuance and sale of up to \$20,000,000 State of Washington Various Purpose General Obligation Bonds, Series 2004T (Taxable), authorized by Ch. 9, Laws of 2001, 2nd Sp. Sess., and Ch. 3, Laws of 2003, 1st Sp. Sess.

Governor Locke moved to adopt Resolution 983. Treasurer Murphy seconded the motion and the resolution was adopted.

Mr. Martin summarized the Proposed Finance Plan for the issuance of lease/purchase Certificates of Participation during the 2003-2005 Biennium as set forth in the Memorandum dated July 15, 2003. The purpose of this memorandum is to: 1) report on the historical use of the lease/purchase finance program; 2) Report on tax compliance for publicly offered Certificates of Participation; 3) propose a finance plan for the issuance of certificates of participation during the 2003-2005 biennium; and 4) to propose action items.

Mr. Martin said in 1998, the Legislature authorized the expansion of the lease/purchase program to include local agencies. The first Local Option Capital Asset Lending (LOCAL) equipment lease/purchase financing was completed in 1998 and the first real property financing was completed in 2000. Certificates of Participation (COPs) issued by the lease/purchase program for the financing of equipment and real estate are rated by Moody's Investor Service. Moody's rates each COP issue individually. The memo summarized state and local agencies' financing activity of equipment and real estate since 1989.

Governor Locke moved the motion: "That the proposed finance plan for the issuance of lease/purchase certificates of participation during the 2003-2005 biennium as set forth in the memorandum dated July 15, 2003, is hereby adopted and shall be set forth in the minutes of this meeting; that, pursuant to RCW 39.94.040, the State Finance Committee hereby sets the

aggregate principal amount for certificates of participation to be issued for the state during the 2003-2005 biennium at A) \$196 million plus financing expenses and required reserves, B) the amount certified for the Tumwater office building project, and C) any refunding COPs that meet the Debt Issuance Policy savings threshold; that the State Treasurer is directed to implement the proposed 2003-2005 lease/purchase financing plan; that during the 2003-2005 biennium the financing of any individual, legislatively authorized state lease/purchase project of \$6 million or less be hereby authorized by the Committee's adoption of the financing plan; and that the financing of any individual, legislatively authorized state lease/purchase project in excess of \$6 million shall require approval of the Committee by resolution." Chairman Murphy seconded the motion and the motion was adopted.

Chairman Murphy recognized Dean Torkelson for his many years of working for the state. Mr. Torkelson has worked in various capacities of financial advising for the state since 1987 and will be taking a 6 month sabbatical. Rob Shelley will be representing Seattle-Northwest Securities in his absence. Chairman Murphy thanked Mr. Torkelson for his expertise and all the years of working for the state. Mr. Torkelson said he has been pleased to work with state officials and plans to continue doing so after his sabbatical.

There being nothing further to come before the committee, the State Finance Committee meeting was adjourned at 10:25 a.m. and the Public Deposit Protection Commission meeting was called to order.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

Michael J. Murphy, State Treasurer & Chairman

Gary Locke, Governor & Member

Brad Owen, Lieutenant Governor & Member

Allan J. Martin
Deputy State Treasurer & Secretary